

The complaint

Mr O complains that Aviva Life & Pensions UK Limited (Aviva) caused an avoidable delay when he wanted to take the benefits from his personal pension plans. And that this has led to a financial loss.

What happened

Mr O had six personal pension plans with Aviva. I understand they each had a selected retirement date (SRD) of his 65th birthday. And that the Mr O would reach his SRD in the first half of 2025.

On 26 February 2024, Aviva issued a statement which showed the total value of Mr O's six plans on 25 February 2025 was £231,635.32. The statement explained that the value shown wasn't guaranteed and that it could rise or fall with market fluctuations.

On 21 October 2024, Aviva issued a retirement options pack to Mr O as he was approaching his SRD. The pack stated that Mr O should remember that the pension value was an estimate and wasn't guaranteed. And that the final value at retirement could be more or less than the amount shown.

Aviva wrote to Mr O again in February 2025 as it hadn't heard from him. This letter again stated that the value shown was an estimate which wasn't guaranteed.

I understand that Mr O spoke to Aviva on 27 February 2025 about taking a 25% Tax-Free Cash (TFC) lump sum from his plans and then taking an annuity with the remaining funds. Aviva told him that the current value of 25% of his fund was £57,825.

Aviva sent Mr O annuity quotes on 11 March 2025. It said his plans had an estimated total value of £228,324.85 at his SRD. Therefore, his estimated TFC lump sum was £57,081.21.

Mr O called Aviva to discuss the quotes on 19 March 2025. He also called on 20 March 2025 to ask if there was a drawdown option. Aviva told him this wasn't available on his plans.

Mr O decided to take an annuity option and a 25% TFC lump sum. He submitted his application for an Aviva annuity.

I understand that on 10 April 2025, before Mr O reached his SRD, the total value of his six plans was £208,188.60. This would mean he'd be able to take a TFC lump sum of £52,047.15.

On 11 April 2025, Aviva said it received an instruction from another part of Aviva through the Origo system to transfer Mr O's plans to buy an annuity. The notes to the instruction stated that the unit price on Mr O's SRD should be used. The total value of the plans on Mr O's SRD was £215,435.14. This meant that Mr O would receive 25% of that value - £53,858.79 – as his TFC lump sum.

Aviva's internal records dated 25 April 2025 and 30 April 2025 noted that Mr O's plans had dropped in value. And that it had arranged for him to be contacted about that drop. But the

call records also show that although Aviva tried to call Mr O on his recorded number on 20 May 2025, the call went straight to voicemail. And Aviva didn't leave a message.

I understand there was a delay in processing the transfer from Mr O's plans due to verification checks taking longer than they should have. This led to Aviva paying Mr O his TFC lump sum of £53,858.79 on 22 May 2025. Aviva issued a claim confirmation letter the same day.

Mr O wasn't happy with the amount of TFC Aviva had paid him. He called it on 23 May 2025. He said he'd previously been quoted a higher value. He wanted Aviva to compensate him for this loss, as he felt it'd told him the values were guaranteed. Mr O was also unhappy with the delay in setting up his annuity and the consequent fall in the monthly payments he'd receive.

Aviva called Mr O on 28 May 2025 to discuss his complaint. It said it could accept the return of the TFC lump sum and the annuity payment amount. But that in order to reverse the annuity application, Mr O would need to return the TFC he'd received. Mr O didn't want to do this. He just wanted Aviva to pay the difference in the TFC lump sum he'd received.

Aviva called Mr O again on 2 June 2025 to further discuss the complaint and a possible course of action. He still didn't want to return the TFC lump sum he'd been paid. Mr O wanted to know how the drop in fund value would affect the monthly payments in his annuity. He also said that the annuities team had left his house number off his address when writing to him.

Aviva issued its final response to the complaint on 5 June 2025. It explained that the drop in value had been due to the fund performance before the claim was received. As such, it hadn't been caused by its delays. But Aviva said it'd added £248.48 to the payment as late payment interest.

Aviva agreed that it had caused delays in the claim process and hadn't made Mr O aware of the drop in the value of his plan. It apologised and paid him £150 compensation for the trouble and upset the delay had caused him and for the loss in expectation he experienced.

Aviva also called Mr O on 5 June 2025. It said it would refer his annuity complaint point to the Annuity team.

Unhappy, Mr O brought his complaint to this service. He said his TFC lump sum was lower than he'd expected. And that he'd received it later than he should have. Mr O said he'd been under the impression that his investments would be stable while he was waiting for payment. He also felt that Aviva should've communicated better. To put things right, Mr O wanted Aviva to compensate him for the losses caused by the delay.

Mr O also said he was concerned that his annuity would be lower than expected. However, Aviva told this service that the annuity complaint was being dealt with by another part of Aviva. It said Mr O's plans had been transferred to another part of Aviva to set up an annuity under Open Market Options. While Aviva said that the annuity aspect of Mr O's complaint would be dealt with under a separate complaint, it also explained that it would backdate the annuity to the correct date. The complaint I'm going to consider here only relates to the payment of the TFC lump sum and the transfer out.

Aviva told this service that although the TFC lump sum had been paid on 22 May 2025 - later than it should've been paid - it'd backdated the payment to Mr O's SRD. It said that on that date, the TFC lump sum was £53,858.79 and the amount transferred for the annuity purchase was £161,576.36.

When it made the payments, Aviva calculated late payment interest on both the TFC lump sum and the amount transferred for the annuity purchase, using the Bank of England Base Rate plus 1%. But, having reviewed the complaint when Mr O raised it with this service, it recalculated the interest on the TFC lump sum using a rate of 8% simple, in line with the rate this service usually recommends for such delays.

Aviva's calculations showed that a total of £377.49 interest was due to Mr O in respect of the delay to his TFC lump sum payment from his SRD to the date it was actually paid. As it'd already paid Mr O £248.48 late payment interest on its original calculation basis, it offered to pay him an additional £129.01 interest.

Our investigator felt that Aviva's offer to resolve the complaint was fair. She said it'd offered to pay an additional £129.01 in late payment interest, noting that this was in line with what this service would expect it to do for causing a delay to the receipt of TFC. She also felt that the £150 compensation Aviva had paid Mr O for the trouble and upset it'd caused him when it'd delayed his claim and failed to make him aware of the drop in value was fair.

As Mr O was still unhappy, the complaint has come to me for a review.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I agree with our investigator that the compensation Aviva has offered to pay Mr O is fair under the circumstances of this complaint. I know this will be disappointing. I'll explain the reasons for my decision.

I first considered what should have happened.

What should've happened?

Mr O wanted to take his retirement benefits on his 65th birthday. But as Aviva took longer than it should have to complete the verification checks, he didn't receive his TFC lump sum until a few weeks later on 22 May 2025. The delays also led to Mr O's remaining funds being transferred late to his annuity provider.

But for the delays, Mr O should have received his TFC lump sum on or just after his 65th birthday. He was therefore denied the use of those funds for the period of delay.

My aim in deciding fair compensation is to put Mr O back to the position he would have been in had there been no delay. I consider that for Mr O to be in the correct position, his TFC lump sum should be based on the unit prices that applied on the date of his 65th birthday. And that late payment interest at 8% simple should then be added for the period of delay.

As I noted earlier, the TFC lump sum Aviva paid Mr O was correctly based on the claim value of his pension on the date of his 65th birthday. And while Aviva initially added late payment interest based on the Bank of England Base Rate plus 1%, it has now recalculated the interest using 8% simple. The calculation showed that, using the rate of interest this service would've recommended, £377.49 late payment interest on the TFC lump sum would be due.

As Aviva has already paid £248.48 based on its original interest calculation, it has offered to pay Mr O an additional £129.01. Given the evidence shows that Aviva paid the TFC lump sum based on the unit prices that applied on the date of Mr O's 65th birthday, I'm satisfied

that the additional £129.01 Aviva has offered will put Mr O into the position he would've been in had there been no delays. I'm therefore satisfied that once it has paid Mr O this additional interest, Aviva will have taken reasonable steps to put things right in respect of his delayed TFC lump sum payment.

I next considered Mr O's complaint about his fund value reducing before he took his retirement benefits. He felt that his TFC lump sum was lower than he'd expected given he'd expected his investments to be stable while he was waiting for payment.

Should Mr O's fund value have been stable before the payment of his benefits?

I appreciate why Mr O was disappointed when he received a lower TFC lump sum than he was expecting. I can see that Aviva's 11 March 2025 letter showed an estimated TFC lump sum of £57,081.21, which was more than £3K more than Mr O eventually received.

However, the evidence shows that each time Aviva wrote to Mr O with an estimated pension value, it explained that the value shown wasn't guaranteed and that it could rise or fall with market fluctuations. Aviva's letters also explained that the final value at retirement could be more or less than the amount shown.

As our investigator said, claim values aren't guaranteed because while the funds remain invested, the value can go up or down until the actual claim date. As such, I can't reasonably say that Mr O's fund value should've been stable before the payment of his benefits.

I went on to consider the compensation Aviva has paid Mr O for the distress and inconvenience it has caused him.

Distress and inconvenience

Mr O felt that Aviva should've communicated better with him.

Aviva acknowledged that while it had tried to call Mr O to let him know about the fall in fund value, it hadn't left a message or used the landline number noted on file. It also accepted it'd delayed Mr O's claim. It paid him £150 compensation for the delays it caused in the claim process and the fact that it had failed to tell him about the fall in the value of his plan.

Overall, I consider this is reasonable compensation under the circumstances of the complaint. And it is in line with what I would've otherwise recommended.

I consider that Aviva's offer to put things right is fair and reasonable. Therefore, while I uphold the complaint so that Aviva will take the remaining step it has offered to take to put things right, I don't require it to take any additional steps.

Putting things right

I require Aviva Life & Pensions UK Limited to pay Mr O the additional £129.01 interest it has offered to pay him.

My final decision

For the reasons set out above, I uphold Mr O's complaint. Aviva Life & Pensions UK Limited must take the action detailed in "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or

reject my decision before 23 December 2025.

Jo Occleshaw
Ombudsman